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FISCAL IMPACT STATEMENT

LS 6878 | **NOTE PREPARED:** Mar 8, 2010
BILL NUMBER: SB 223 | **BILL AMENDED:** Mar 4, 2010

SUBJECT: Mortgage deduction.

FIRST AUTHOR: Sen. Holdman | **BILL STATUS:** Enrolled
FIRST SPONSOR: Rep. Pryor

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: This bill provides that the form prescribed by the Department of Local Government Finance (DLGF) to claim the mortgage deduction and the instructions for the form must both include a statement specifying that a person is not entitled to the deduction unless the person has a balance on the person's mortgage or contract indebtedness (including any home equity line of credit) that is the basis for the deduction. It requires the statement to specify the penalties for perjury. It requires the DLGF to develop a notice that must be displayed in the office of each county auditor concerning the application for the mortgage deduction.

The bill also indicates that mortgages, contracts, memoranda, and home equity lines of credit must be recorded to be eligible for a mortgage deduction.

Effective Date: July 1, 2010.

Explanation of State Expenditures: Under current law, a taxpayer who wishes to claim the mortgage deduction must first file a form with either the county auditor or county recorder. The Department of Local Government Finance (DLGF) prescribes the form that the taxpayer uses.

This bill directs the DLGF to specifically include on the form a statement that the taxpayer is not entitled to a deduction unless the person has a balance on the person's mortgage or contract indebtedness (including any home equity line of credit) that is the basis for the deduction, and has recorded the mortgage in the county recorder's office.

The DLGF must also specify the penalty for perjury if the individual is convicted: a prison term of six (6) months to three (3) years. The agency also has to develop a notice that the county auditor must display in a conspicuous location. The notice informs the public of the penalties for falsely claiming the deduction, and that the form must be signed by the property owner or contract purchaser.

The fiscal impact of this bill is minimal. The current form could be modified to accommodate this requirement, and the notice could be generated on a computer to be downloaded by the counties or transmitted to them. This is expected to be within the DLGF's routine administrative functions.

Explanation of State Revenues:

Explanation of Local Expenditures: Under current law, a taxpayer who wishes to claim the mortgage deduction must first file a form with either the county auditor or county recorder. Any forms filed with the recorder's office are forwarded to the county auditor. Under this bill, a taxpayer also has to record the mortgage, contract, memoranda, or home equity line of credit in order to be eligible for the deduction. Depending on the number of mortgage applications that were not recorded before, this bill may result in an increase in the administrative duties of the county recorder. Currently, the recorder's office is prohibited from charging a fee for this service.

County auditors would have to display the notice developed by the DLGF in a conspicuous location. The cost of doing this is expected to be minimal.

Explanation of Local Revenues:

State Agencies Affected: DLGF.

Local Agencies Affected: County Auditors; County Recorders.

Information Sources:

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